

# PERAC AUDIT REPORT



West Springfield Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04-95



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

November 7, 2006

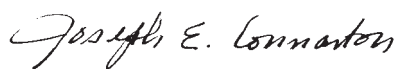
The Public Employee Retirement Administration Commission has completed an examination of the West Springfield Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2002 to December 31, 2004. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the West Springfield Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Harry Chadwick and Robert Madison who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



# West Springfield Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Cash	\$1,873,568	\$2,174,207	\$1,587,508
Short Term Investments	0	0	0
Fixed Income Securities	18,916,551	18,354,908	18,916,709
Equities	30,492,546	25,789,530	19,737,030
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	0	0	0
Pooled International Equity Funds	0	0	0
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	166,821	175,831	191,924
Accounts Receivable	2,014,468	1,864,755	1,783,449
Accounts Payable	(77,400)	(70,764)	(62,859)
<b>TOTAL</b>	<b><u>\$53,386,553</u></b>	<b><u>\$48,288,467</u></b>	<b><u>\$42,153,761</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$15,675,527	\$14,306,505	\$13,257,609
Annuity Reserve Fund	4,952,076	5,338,634	5,351,156
Pension Fund	5,380,420	5,855,866	6,380,071
Military Service Fund	8,098	8,050	1,559
Expense Fund	0	0	0
Pension Reserve Fund	<u>27,370,432</u>	<u>22,779,413</u>	<u>17,163,366</u>
<b>TOTAL</b>	<b><u>\$53,386,553</u></b>	<b><u>\$48,288,467</u></b>	<b><u>\$42,153,761</u></b>

# West Springfield Retirement System

## STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2002)</b>	\$13,626,631	\$4,041,234	\$6,479,774	\$1,538	\$0	\$20,461,142	<b>\$44,610,319</b>
Receipts	1,688,733	125,344	3,898,781	22	382,324	(3,297,185)	<b>2,798,020</b>
Interfund Transfers	(1,773,972)	1,774,564	0	0	0	(592)	<b>(0)</b>
Disbursements	<u>(283,783)</u>	<u>(589,986)</u>	<u>(3,998,484)</u>	<u>0</u>	<u>(382,324)</u>	<u>0</u>	<b><u>(5,254,578)</u></b>
<b>Ending Balance (2002)</b>	<b>13,257,609</b>	<b>5,351,156</b>	<b>6,380,071</b>	<b>1,559</b>	<b>0</b>	<b>17,163,366</b>	<b>42,153,761</b>
Receipts	1,727,789	159,445	4,054,660	6,491	383,813	5,617,447	<b>11,949,646</b>
Interfund Transfers	(505,624)	507,024	0	0	0	(1,400)	<b>(0)</b>
Disbursements	<u>(173,269)</u>	<u>(678,991)</u>	<u>(4,578,866)</u>	<u>0</u>	<u>(383,813)</u>	<u>0</u>	<b><u>(5,814,940)</u></b>
<b>Ending Balance (2003)</b>	<b>14,306,505</b>	<b>5,338,634</b>	<b>5,855,866</b>	<b>8,050</b>	<b>0</b>	<b>22,779,413</b>	<b>48,288,467</b>
Receipts	1,661,773	152,306	4,250,589	48	443,245	4,588,128	<b>11,096,089</b>
Interfund Transfers	(155,017)	152,126	0	0	0	2,891	<b>0</b>
Disbursements	<u>(137,734)</u>	<u>(690,990)</u>	<u>(4,726,034)</u>	<u>0</u>	<u>(443,245)</u>	<u>0</u>	<b><u>(5,998,004)</u></b>
<b>Ending Balance (2004)</b>	<b><u>\$15,675,527</u></b>	<b><u>\$4,952,076</u></b>	<b><u>\$5,380,420</u></b>	<b><u>\$8,098</u></b>	<b><u>\$0</u></b>	<b><u>\$27,370,432</u></b>	<b><u>\$53,386,553</u></b>

# West Springfield Retirement System

## STATEMENT OF INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$1,533,487	\$1,467,913	\$1,408,014
Transfers from other Systems	10,635	94,792	64,167
Member Make Up Payments and Redeposits	32,678	37,136	35,619
Investment Income Credited to Member Accounts	84,974	127,949	180,933
<b>Sub Total</b>	<b><u>1,661,773</u></b>	<b><u>1,727,789</u></b>	<b><u>1,688,733</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<b><u>152,306</u></b>	<b><u>159,445</u></b>	<b><u>125,344</u></b>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	110,477	30,530	33,941
Received from Commonwealth for COLA and Survivor Benefits	132,553	302,603	283,147
Pension Fund Appropriation	4,007,559	3,721,527	3,581,693
<b>Sub Total</b>	<b><u>4,250,589</u></b>	<b><u>4,054,660</u></b>	<b><u>3,898,781</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	6,475	0
Investment Income Credited Military Service Fund	48	16	22
<b>Sub Total</b>	<b><u>48</u></b>	<b><u>6,491</u></b>	<b><u>22</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	443,245	383,813	382,324
<b>Sub Total</b>	<b><u>443,245</u></b>	<b><u>383,813</u></b>	<b><u>382,324</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	46,917	36,649	35,604
Interest Not Refunded	2,039	4,248	2,294
Miscellaneous Income	49	637	0
Excess Investment Income	4,539,122	5,575,914	(3,335,083)
<b>Sub Total</b>	<b><u>4,588,128</u></b>	<b><u>5,617,447</u></b>	<b><u>(3,297,185)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$11,096,090</u></b>	<b><u>\$11,949,646</u></b>	<b><u>\$2,798,020</u></b>

# West Springfield Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Annuity Savings Fund:</b>			
Refunds to Members	\$85,433	\$141,526	\$75,349
Transfers to other Systems	<u>52,301</u>	<u>31,743</u>	<u>208,434</u>
<b>Sub Total</b>	<b><u>137,734</u></b>	<b><u>173,269</u></b>	<b><u>283,783</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	651,314	653,345	552,959
Option B Refunds	<u>39,676</u>	<u>25,646</u>	<u>37,027</u>
<b>Sub Total</b>	<b><u>690,990</u></b>	<b><u>678,991</u></b>	<b><u>589,986</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	3,096,946	3,096,408	2,678,561
Survivorship Payments	214,574	200,990	184,057
Ordinary Disability Payments	98,942	96,293	106,749
Accidental Disability Payments	936,603	825,461	706,914
Accidental Death Payments	235,819	244,423	243,072
Section 101 Benefits	36,758	35,688	34,648
3 (8) (c) Reimbursements to Other Systems	<u>106,391</u>	<u>79,602</u>	<u>44,483</u>
<b>Sub Total</b>	<b><u>4,726,034</u></b>	<b><u>4,578,866</u></b>	<b><u>3,998,484</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	12,000	12,000	12,000
Salaries	87,718	99,091	79,875
Legal Expenses	57	16	1,002
Fiduciary Insurance	4,831	3,415	3,291
Service Contracts	3,069	2,486	10,227
Rent Expense	225	0	0
Travel Expenses	1,455	495	1,750
Administrative Expenses	36,076	2,563	5,513
Furniture and Equipment	140	1,069	13,677
Management Fees	242,602	209,498	200,414
Custodial Fees	35,072	33,182	34,574
Consultant Fees	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<b>Sub Total</b>	<b><u>443,245</u></b>	<b><u>383,813</u></b>	<b><u>382,324</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$5,998,004</u></b>	<b><u>\$5,814,940</u></b>	<b><u>\$5,254,578</u></b>

# West Springfield Retirement System

## INVESTMENT INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2002  
AND ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Investment Income Received From:</b>			
Cash	\$30,535	\$25,687	\$30,900
Short Term Investments	0	0	0
Fixed Income	1,025,817	1,176,284	1,158,970
Equities	355,788	272,424	257,485
Pooled or Mutual Funds	0	0	0
Commission Recapture	<u>33,053</u>	<u>13,486</u>	<u>0</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>1,445,192</u></b>	<b><u>1,487,881</u></b>	<b><u>1,447,355</u></b>
<b>Plus:</b>			
Realized Gains	827,785	1,714,624	986,580
Unrealized Gains	4,119,128	4,637,273	1,276,830
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>166,821</u>	<u>175,831</u>	<u>191,924</u>
<b>Sub Total</b>	<b><u>5,113,735</u></b>	<b><u>6,527,728</u></b>	<b><u>2,455,334</u></b>
<b>Less:</b>			
Paid Accrued Interest on Fixed Income Securities	(30,386)	(24,370)	(48,131)
Realized Loss	(620,779)	(1,245,791)	(4,724,322)
Unrealized Loss	(512,234)	(306,387)	(1,589,893)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(175,831)</u>	<u>(191,924)</u>	<u>(186,803)</u>
<b>Sub Total</b>	<b><u>(1,339,230)</u></b>	<b><u>(1,768,472)</u></b>	<b><u>(6,549,148)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>5,219,696</u></b>	<b><u>6,247,137</u></b>	<b><u>(2,646,459)</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	84,974	127,949	180,933
Annuity Reserve Fund	152,306	159,445	125,344
Military Service Fund	48	16	22
Expense Fund	<u>443,245</u>	<u>383,813</u>	<u>382,324</u>
<b>TOTAL INCOME REQUIRED</b>	<b><u>680,574</u></b>	<b><u>671,223</u></b>	<b><u>688,624</u></b>
Net Investment Income	<u>5,219,696</u>	<u>6,247,137</u>	<u>(2,646,459)</u>
Less: Total Income Required	<u>680,574</u>	<u>671,223</u>	<u>688,624</u>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$4,539,122</u></b>	<b><u>\$5,575,914</u></b>	<b><u>(\$3,335,083)</u></b>



## West Springfield Retirement System

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE PERIOD ENDING DECEMBER 31, 2004**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$1,873,568	3.65%	100
Short Term	0	0.00%	100
Fixed Income	18,916,551	36.89%	40 - 80
Equities	30,492,546	59.46%	40 - 80
<b>GRAND TOTALS</b>	<b><u>\$51,282,664</u></b>	<b><u>100.00%</u></b>	

The West Springfield 840 CMR 18.01 Statement of Investment Objectives (July 1, 2001 to June 30, 2004) states that its investment policy and investment objectives or portfolio asset mix is as follows:

- Domestic Equities (Large cap) 55%
- Domestic Equities (Small cap) 5%
- Domestic Fixed Income 35%
- International Equities 5%

For the year ending December 31, 2004, the rate of return for the investments of the West Springfield Retirement System was 11.24%. For the five-year period ending December 31, 2004, the rate of return for the investments of the West Springfield Retirement System averaged 6.01%. For the twenty-year period ending December 31, 2004, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the West Springfield Retirement System was 9.34%.

## **West Springfield Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

**FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

The West Springfield Retirement System does not have any supplementary investment regulations on file.

# **West Springfield Retirement System**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all West Springfield Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

# **West Springfield Retirement System**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **West Springfield Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The West Springfield Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 7, 1995

The Board voted to allow auxiliary police officers to get credit for up to 5 years of creditable service provided they later become appointed full time police officers.

October 8, 2002

Non-membership Creditable Service. A member who was employed by the town of West Springfield, prior to becoming an active member of the West Springfield Retirement System, may be eligible to purchase credit for service rendered on at least a part-time basis even if he/she was not a member of the retirement system during that time.

## **West Springfield Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

The member must provide the Retirement Board with proof of employment along with a written statement indicating the periods during which he/she was employed on a part-time basis.

The member must provide copies of employment records including any W-2 Forms or payroll records indicating the regular wages earned during the period of time the member is seeking to purchase.

If, through no fault of the employee, no payroll or other records of the Town can be found, the member must provide a written statement from the employer or previous employer that includes the following:

- a) the period during which the member was employed (month/day/year to month/day/year);
- b) the title, position held and type of work performed by the employee;
- c) the rate of pay in effect during the period of employment including any increases in pay;
- d) the actual salary (if known) during the period of employment; or
- e) a reasonable estimate of the period of service as an employee and estimated regular wages earned during the period of time for which the member seeks creditable service.

The statement from an employer must be on the employer's letterhead and must be signed by the employer or department head.

A statement from a previous employer must be signed by the person attesting to the information and must be notarized.

After the Retirement Board receives the statement, the information will be reviewed to determine whether or not the member is eligible to purchase the service credit.

The cost of purchasing past service will be based on what contributions the person would have paid in retirement contributions during that period (plus interest to date).

In order to receive credit for non-membership service, the member must pay for the service before the effective date of retirement.

November 26, 2002

The West Springfield Retirement Board's Travel Policy Regulations were accepted by PERAC on November 26, 2002.

## **West Springfield Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

May 29, 2003

For veterans who have made written notification of their intentions to purchase up to four years of military service credit], weekly payments up to five years will be allowed or a lump sum payment at time of retirement.

June 1, 2004

Automobile mileage of a personal automobile when used to travel to and from conferences and all other retirement business shall be reimbursed in accordance with the per mile rate of reimbursement allowed by the Internal Revenue Service. Parking fees and toll charges may be reimbursed, subject to proper documentation.

Pursuant to G.L. c. 32, § 4(1)(c), the board shall grant one month of creditable service to a member if he/she has been on an approved, unpaid leave of absence for medical or family reasons. The board shall deny one month of creditable service to a member if he/she has been on an approved, unpaid leave of absence for disciplinary reasons.

## **West Springfield Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Sharon A. Wilcox

Appointed Member: Raymond N. Spear                      Term Expires: 1/1/07

Elected Member: Stephen Hayes                      Term Expires: 3/31/08

Elected Member: Gerard P. Connor, Jr.                      Term Expires: 12/17/08

Appointed Member: Richard Sullivan                      Term Expires: 1/1/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$50,000,000
Elected Member:	)	Traveler's, National Union, Arch and XL Insurance Companies
Appointed Member:	)	
Staff Employee:	)	



# West Springfield Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2004

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2004.

The actuarial liability for active members was	\$42,395,422
The actuarial liability for retired and inactive members was	47,012,384
The total actuarial liability was	<b>89,407,806</b>
System assets as of that date were	48,288,467
The unfunded actuarial liability was	<b><u>\$41,119,339</u></b>
 The ratio of system's assets to total actuarial liability was	 54.0%
As of that date the total covered employee payroll was	\$17,736,133

The normal cost for employees on that date was 8.39% of payroll

The normal cost for the employer was 5.74% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum

**Rate of Salary Increase:** 5.00% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2004	\$ 48,288,000	\$ 89,408,000	\$ 41,120,000	54.0%	\$ 17,736,000	231.8%
1/1/2002	\$ 44,610,000	\$ 79,861,000	\$ 35,251,000	55.9%	\$ 16,889,000	208.7%
1/1/2000	\$ 39,653,000	\$ 70,383,000	\$ 30,730,000	56.3%	\$ 14,986,000	205.1%

## West Springfield Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Superannuation	11	11	20	13	10	9	10	40	6	7
Ordinary Disability	1	0	1	0	0	0	0	0	0	0
Accidental Disability	0	0	2	1	4	1	2	2	3	2
Total Retirements	<b>12</b>	<b>11</b>	<b>23</b>	<b>14</b>	<b>14</b>	<b>10</b>	<b>12</b>	<b>42</b>	<b>9</b>	<b>9</b>
Total Retirees, Beneficiaries and Survivors	350	352	362	366	364	364	358	386	386	382
Total Active Members	513	546	512	550	557	556	580	552	580	598
<b>Pension Payments</b>										
Superannuation	\$1,847,702	\$1,917,384	\$2,137,024	\$2,393,573	\$2,311,084	\$2,449,620	\$2,524,259	\$2,678,561	\$3,096,408	\$3,096,946
Survivor/Beneficiary Payments	101,278	113,378	112,088	119,051	107,904	129,135	145,788	184,057	200,990	214,574
Ordinary Disability	119,820	120,236	126,132	134,567	112,007	121,395	107,209	106,749	96,293	98,942
Accidental Disability	570,428	567,460	603,966	565,524	536,575	630,592	645,271	706,914	825,461	936,603
Other	<u>229,377</u>	<u>257,232</u>	<u>283,492</u>	<u>314,195</u>	<u>278,904</u>	<u>328,900</u>	<u>333,705</u>	<u>322,204</u>	<u>359,713</u>	<u>378,968</u>
Total Payments for Year	<b><u>\$2,868,605</u></b>	<b><u>\$2,975,690</u></b>	<b><u>\$3,262,702</u></b>	<b><u>\$3,526,910</u></b>	<b><u>\$3,346,474</u></b>	<b><u>\$3,659,642</u></b>	<b><u>\$3,756,232</u></b>	<b><u>\$3,998,484</u></b>	<b><u>\$4,578,866</u></b>	<b><u>\$4,726,034</u></b>

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